

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

WWW.WINDOW.STATE.TX.US



August 19, 2013

Name

Address

City, State Zip

Dear Cigarette and Tobacco Products Manufacturer;

## **New Fee on Cigarettes and Cigarette Tobacco Products**

A new law effective Sept. 1, 2013, imposes a fee, remitted by distributors, on cigarettes and cigarette tobacco products manufactured by companies that did not originally participate in the Master Settlement Agreement. This includes a non-settling manufacturer (NSM) or subsequent participating manufacturer (SPM). The new fee has two rates based on a manufacturer's classification as an NPM, SPM or SPM with credit amendment. The amount of the fee will affect the price of cigarettes and cigarette tobacco products (i.e., roll-your-own tobacco or RYO) when sold at retail in Texas.

For the remainder of the 2013 calendar year, NSM manufactured cigarettes and cigarette tobacco products will be assessed a fee of 2.75 cents per cigarette stick or 0.09 ounces of cigarette tobacco products. Cigarettes and cigarette tobacco products manufactured by an SPM will be assessed a lower fee of 0.75 cents per cigarette stick or 0.09 ounces of cigarette tobacco products for the rest of calendar year 2013, provided that the SPM's credit amendment does not take effect before year end. For calendar months beginning on or after the effective date of the SPM's credit amendment, the fee is the same as the current fee assessed on NSM cigarettes and cigarette tobacco products.

Beginning in January 2014, and for each subsequent year, the Comptroller will set new fee rates by increasing the previous year's rate by the greater of 3 percent or the rate of inflation calculated by the Consumer Price Index for All Urban Consumers (CPI-U).

SPMs should provide notice and proof of subsequent participating status, as required by law, in a letter to the Comptroller. The letter should include a declaration of status as an SPM, the date of subsequent participating status, and, if there is a credit amendment, the effective date of that amendment.

Mail the letter to:

Comptroller of Public Accounts  
Account Maintenance Division  
111 East 17th Street  
Austin, Texas 78774-0100

The legislation that created this change is House Bill 3536, 83rd Regular Session, which created Subchapter V in Chapter 161 of the Health and Safety Code.

For questions, please contact our office via email at [tax.help@cpa.state.tx.us](mailto:tax.help@cpa.state.tx.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Bryant Lomax".

Bryant Lomax  
Manager Tax Policy